

**To: All Members of Cabinet:
R.J. Phillips (Leader)
Mrs. L.O. Barnett
P.J. Edwards
Mrs. J.P. French
J.C. Mayson
D.W. Rule MBE (Deputy Leader)
R.V. Stockton
D.B. Wilcox
R.M. Wilson**

Chief Executive's Office

Chief Executive: N.M. Pringle

Your Ref:

Our Ref: NMP/SAHC

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31st January, 2007

Dear Councillor,

**MEETING OF CABINET
THURSDAY, 8TH FEBRUARY, 2007 AT 2.00 P.M.
THE COUNCIL CHAMBER, BROCKINGTON, 35 HAFOD ROAD, HEREFORD**

AGENDA (07/02)

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

To receive any declarations of interest by members in respect of items on this agenda.

3. DRAFT REVENUE BUDGET AND CAPITAL PROGRAMME 2007/08

To formally propose the revenue budget and capital programme for 2007/08 as a basis for seeking the views of the Strategic Monitoring Committee. *(Pages 1 - 26)*

4. PUBLIC SERVICE TRUST PROJECT INITIATION DOCUMENT

To note the progress being made in relation to the formation of a Public Service Trust. *(Pages 27 - 48)*



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5. HEREFORDSHIRE COUNCIL SERVICES IN LEDBURY LINKING TO A LIBRARY BIG LOTTERY APPLICATION

To give an overview of schemes in Ledbury that will inform the way forward in developing new facilities in the town. *(Pages 49 - 52)*

6. ASSET MANAGEMENT PLAN: OVERVIEW ISSUES REPORT

To endorse the Asset Management Plan 2006/07, approve revised Asset Management arrangements and to inform Cabinet of the key issues and actions relating to the implementation of the Council's Asset Management Plan 2006/07. *(Pages 53 - 62)*

Yours sincerely,



**N.M. PRINGLE
CHIEF EXECUTIVE**

Copies to: Chairman of the Council
Chairman of Strategic Monitoring Committee
Vice-Chairman of Strategic Monitoring Committee
Chairmen of Scrutiny Committees
Group Leaders
Directors
Head of Legal and Democratic Services



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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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DRAFT REVENUE BUDGET AND CAPITAL PROGRAMME 2007/08

PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

8TH FEBRUARY, 2007

Wards Affected

County-wide

Purpose

To formally propose the revenue budget and capital programme for 2007/08 as a basis for seeking the views of the Strategic Monitoring Committee.

Key Decision

This is not a Key Decision. Cabinet will confirm its budget proposals for 2007/08 in the light of comments from the Strategic Monitoring Committee on 22nd February, 2007 prior to the Council meeting on 9th March, 2007 to set Council Tax levels for 2007/08.

Recommendations

THAT

- (a) the review of the national context to the Council's Medium-Term Financial Management Strategy outlined in this report be noted;
- (b) the review of the Herefordshire context to the Council's Medium-Term Financial Management Strategy outlined in this report be noted;
- (c) the Medium-Term Financial Resource Model included as an appendix to this report updated to reflect Cabinet decisions on 18th January 2007 be endorsed;
- (d) the updated forecast outturn for the revenue budget in 2006/07 be noted with a further update to be included in the next Integrated Performance Report to Cabinet in March 2007;
- (e) the draft revenue budget for 2007/08 outlined in this report be endorsed;
- (f) the updated forecast outturn for the capital budget in 2006/07 be noted with a further update to be included in the next Integrated Performance Report to Cabinet in March 2007;
- (g) the Council establishes a corporate strategy on fees and charges as an integral part of the MTFMS when it is updated prior to the start of the next Performance Improvement Cycle;
- (h) the delivery of the benefits resulting from the Invest to Save/Invest to

Further information on the subject of this report is available from
Sonia Rees on (01432) 383519 or David Powell on (01432) 383173

Mitigate proposals is managed using the benefits realisation process developed for Herefordshire Connects;

- (i) the draft capital programme for 2007/08 outlined in this report be endorsed; and**
- (j) the Strategic Monitoring Committee be invited to consider the content of this report in time for their comments to be incorporated into a further report to Cabinet on 22nd February, 2007.**

Reasons

Cabinet has received a series of reports on the Medium-Term Financial Management Strategy (MTFMS) along side the draft Corporate and Annual Operating Plans since July 2006. At each stage, Cabinet has sought views from the Strategic Monitoring Committee. This report brings both the revenue and capital spending plans up to date reflecting the decisions taken by Cabinet on 18th January, 2007.

Considerations

National Context

1. There has been no news to dispel the view that the policy and financial context for Local Government is looking any less challenging than reflected in the assumptions used last October when Cabinet approved the MTFMS as part of the new Performance Improvement Cycle.
2. Assumptions contained in the MTFMS about the immediate future hold good. The local government finance settlement for 2007/08 was announced at the end of November 2006 and confirmed in the middle of January 2007. The cash increase was in line with the expected 2.4% included in the MTFMS. The headline increase published by the Government was higher at 3.4% because our 2006/07 entitlement was recalculated to reflect the latest data available and this led to a reduction in the level of funding we would have received by way of Formula Grant for the current year.
3. The headline increase in per pupil funding for schools was confirmed at 4.3% in line with expectations. This funding arrives as Dedicated Schools Grant (DSG) and must be fully allocated to the 'Schools Budget'. The allocation is based on pupil numbers and affected by falling rolls. This is a key issue in Herefordshire and forms part of the on-going review of school provision. For 2007/08 each authority has received a minimum cash increase of at least 4% over their 2006/07 DSG allocation and this is in part to provide additional support for falling rolls. This level of increase in financial support is unlikely to be maintained in future years.
4. Looking to the medium-term, the Government's plans for public service reform remain just as ambitious as anticipated when Cabinet agreed the MTFMS last October, although the text of the document needs updating to reflect the most recent developments.
5. The Local Government White Paper (LGWP) published in late October 2006 offers significant opportunity and challenge. Cabinet has already received a report on the LGWP and officers have begun to assess the impact it may have for future plans once enacted. A brief summary of the key issues covered in the LGWP is as follows:

- A new performance framework;
 - An enhanced role for councils as strategic leaders and place-shapers;
 - Development of Local Area Agreements (LAAs);
 - Stronger political leadership;
 - An invitation to consider alternative structures particularly in two-tier areas;
 - A strengthened role for front-line councillors;
 - A wider and stronger role for scrutiny;
 - Devolution of some powers; and
 - Using community strategies to enhance community cohesion.
6. The Queen's Speech followed in November 2006 and included a number of initiatives within the Government's legislative programme for the current session of Parliament with important implications for local government including:
- **Local Government White Paper** – see above;
 - **Further Education & Training Bill** – measures to implement the Skills White Paper;
 - **Offender Management Bill** – proposals to create a regionally based National Offender Management Service;
 - **Criminal justice Bill** – measures around sentencing, anti-social behaviour and probation service reform;
 - **Climate Change Bill** – measures to limit carbon emissions to meet the Government's target of reducing CO₂ emissions by 60% by 2050;
 - **Road Transport Bill (draft)** – measures to reform passenger Transport Authority governance, to provide councils with increased powers over bus provision and measures on road pricing; and
 - **Other proposals** impacting on local government including:
 - Concessionary Bus Travel Bill;
 - Border and Immigration Bill;
 - Energy White Paper;
 - Planning Reform;
 - Local Better Regulation Office Bill;
 - Mental Health Bill;
 - Statistical Reform Bill; and
 - Welfare Reform Bill.
7. Staying with the medium-term, the assumptions about future increases in general grant support from the Government and cashable efficiency targets contained in the

MTFMS still hold good too. However, they do need to be kept under review as further information becomes available.

8. The Chancellor's pre-budget 2007 report in December 2006 noted the progress already made in achieving the Government's Spending Review 2004 (SR04) efficiency targets for the three-year period to 2007/08. Building on this success, the Government's baseline savings ambition for the 2008/09 to 2010/11 period covered by the Spending Review 2007 (SR07) will be at least 3% per year across central and local government with a focus on net cashable savings to free-up resources to meet the challenges ahead.
9. The Government's assumptions on future efficiency gains rely on Sir David Varney's findings in his review entitled '*Service Transformation: a Better Service for citizens and Businesses, a Better Deal for Taxpayers*'. The Chancellor commissioned the Varney Review in March 2006 as part of his last budget and it was published alongside the Chancellors pre-budget 2007 report last month.
10. The Varney Review identifies major opportunities for strengthening public service delivery, making it more accessible, convenient and efficient in meeting changing citizen and business expectations. The report's recommendations include:
 - Developing a change of circumstances service starting with bereavement, birth and change of address by 2010, so that citizens don't have to notify multiple public services;
 - Providing citizens and businesses with single information and transactional websites through Directgov and Businesslink.gov;
 - Improving public sector contact centre performance including reducing operating costs by 25% to release £400 million; and
 - Developing a cross-government identity management system to enable greater personalisation of services and to reduce duplication across Government.
11. Much about the medium-term remains, however, uncertain and cannot yet be reflected in terms of assumptions underpinning the MTFMS. A key issue we will need to continue to monitor is the impact that the final outcome of the Lyons Inquiry might have for the reform of the local government funding system.
12. Sir Michael Lyons was due to make his final report in December 2006. Instead, the Government announced it had given Sir Michael a short extension to give him time to consider the implications for local government of:
 - the Eddington transport study;
 - the Barker review of land use planning; and
 - the Leitch review of skills.
13. Sir Michael plans to publish his final report in March 2007, around the time of the Budget 2007. This will allow time for his report to influence SR07, which is not expected to conclude until the late summer 2007.
14. The national context remains one in which much more will be expected of local government at a time when growth in public spending will slow significantly and a greater proportion is spent on sectors other than local government. An already difficult

scenario could be made even more challenging if a new local government funding system alters the current pattern of general grant distribution, and the Department for Education and Skills (DfES) is also planning to review the way in which Dedicated Schools Grant (DSG) distributed. Whilst these changes could have a positive impact for Herefordshire and help improve the Council's relative funding position, it could make matters worse for both non-school and school services. The provisional local government finance and DSG settlement announcements that will follow on from SR07 in November this year will set out the level of funding we can expect for non-school and school services respectively for 2008/09 to 2010/11. The announcements are likely to generate a lot of debate and last minute changes to budget strategies.

Herefordshire Context

15. The new Performance Improvement Cycle has helped establish a more efficient process for assessing the overall financial envelope within which corporate and service plans are developed. The framework in place ensures that resources follow identified and agreed priorities, removing the adversarial feel of more traditional approaches to strategic financial planning and budget setting. The Audit Commission has commented on positive progress in this area in recent reports.
16. Directors have worked more corporately in the past twelve months on strategic financial issues than has formerly been the case. The Corporate Management Board (CMB) continues to support the key assumptions in the MTFMS including that on no inflation on non-pay budgets. CMB recognises that this time last year it had identified £4.8m of budget pressures it said would be difficult to manage in 2006/07 but is now on course to under spend – the fourth year in a row - suggesting there is still some 'slack' in the base budget. Annual under spending of around £3m - £4m equates in approximate terms to allowing for inflation on non-pay budgets.
17. The evidence suggests therefore that the challenge for CMB is not the amount of money that is available in the base budget for 2007/08 to fund planned levels of service. The challenge is to ensure even closer alignment between the budget and established spending patterns. CMB needs to continue to work corporately to identify any 'hot spots' the inflation policy included in the MTFMS might produce and seek appropriate approval when necessary to adjust the base budget across Directorates. To date, no 'hot spots' that cannot be managed in 2007/08 using the flexibility of existing financial policies and procedures have been identified. All inflation assumptions contained in the MTFMS need to be reviewed annually at the start of the annual Performance Improvement Cycle to ensure they reflect changes in the economic climate.

Medium Term Financial Resource Model (MTFRM)

18. The MTFRM appended to this report reflects the changes included in the Financial Strategy Update report agreed by Cabinet on 18th January 2006 (Section 1 of that report refers), plus the Cabinet's announcement at that meeting to change the planning assumption for the proposed Council Tax increase for 2007/08.
19. One of the changes agreed by Cabinet is that the financial risk of not achieving the £5.8m cashable efficiency gain target within the 2007/08 financial year be covered in full until such times there is a detailed benefits realisation plan for Herefordshire Connects in place that allows the overall figure to be allocated to specific budgets. Sections 25 to 29 of the Local Government Act 2003 impose a duty on local authorities to ensure they make prudent allowance for risk and uncertainties in their budgets. Given that final selection of the preferred partner will not take place until the end of February 2007, this information will not be available in time for the budget setting

process. The level of saving deliverable in 2007/08 is therefore uncertain, as the programme will entail upfront investment. Cash set aside to cover this risk has not been taken from Directorate budgets or top-sliced from resources earmarked for investment in priority services; it can be released for further investment once the benefits realisation programme has been agreed.

20. Cabinet has now firmed up on the previous planning assumption for the proposed Council Tax increase for 2007/08, proposing a Council Tax increase of 3.8% compared to the provisional figure used of 4.7%. Whilst this is not inconsistent with the emerging national picture, it will lead to a reduction in income from Council Tax to support the Council's corporate plan for 2007 – 2010 of some £560k per annum over the next three years, a sum that will be difficult to replace given planned Council Tax increases for subsequent years of 4.7% are close to the 5% capping limit expected to remain in force. With schools funding now ring-fenced via the Dedicated Schools Grant, Council Tax income now represents approximately 60% of the Council's budget requirement.
21. Given the national context outlined in the beginning of this report, a lower than originally planned Council Tax increase this year could have implications for the future if the three-year settlement for 2008/09 to 2010/11 is as difficult as all the current indications suggest. It would impact on the Council's ability to meet the challenges identified in this report that cannot yet be quantified and reflected in the MTFRM, and limit the extent of future Invest to Save / Mitigate investment plans for priority service areas (Section 3 of the Financial Strategy Update report agreed by Cabinet on 18th January, 2007 refers).
22. One further issue that needs to be reflected in the MTFRM emerged as the capital programme for 2007/08 was drafted and the financing arrangements finalised. The Financing Transactions budget needs to reflect the opportunity cost of the Council providing funding whilst waiting for external contributions to capital projects such as Rotherwas Futures and the Edgar Street Grid redevelopment to arrive. It is difficult to assess the impact of the latter in particular with any degree of accuracy as a detailed financial model is not yet available. It is felt prudent to allow £500k a year for 'bank-rolling' of capital projects in the Financing Transactions budget.

Forecast Outturn for Revenue Budget 2006/07

23. Cabinet reviewed the latest Integrated Performance Report (IPR) covering the first 8 months to the end of November on 18th January, 2007. The report included information detailing the projected outturn for the current financial year. The Head of Financial Services updated Cabinet on emerging financial pressures areas of further potential under spend as he presented the report. It is now possible to revise the outturn projection based on financial information to the end of December 2006.
24. The following table compares the latest outturn forecast with that to the end of Month 8 included in the last IPR:

	December 2006 Net over (+) or under (-) spend	November 2006 Net over (+) or under (-) spend
	£000	£000
Adult & Community Services	+1,039	+1,424
Children & Young People's	+214	+214
Customer & Corporate Services	+1	+1
Environment	-459	+25
Resources	+19	+19
Gross projected outturn	+814	+1,683
Less:		
Local Authority Business Growth Incentive Scheme Grant (LABGI)	-1,000	-
Social Care Contingency	-1,302	-1,302
Financing Transactions surplus	-1,000	-750
Net projected outturn	-2,488	-369

25. The above table indicates that there is likely to be an under spend in the region of £2.5m in overall terms on the revenue account based on the financial information available at the end of December. The improved financial position is due to changes indicated to Cabinet on 18th January, 2007 in the IPR and Financial Strategy Update reports as follows:
- A further reduction in the over spend forecast for adult social care services;
 - An under spend on waste collection services;
 - An increase in the surplus on Financing Transaction due mainly to further slippage in the capital programme; and
 - Inclusion of £1m LABGI grant.
26. However, there are two further factors known at the present time that could alter the forecast outturn again in the Month 10 IPR that will be presented to Cabinet in March 2007. As previously reported to Cabinet, the Government will not be announcing LABGI grant figures for each council until February 2007. Herefordshire's grant is not expected to be less than £1m but could be more based on the information currently

available. The other issue relates to ICT Services. As indicated to Cabinet on 18th January, 2007, work to assess the likely outturn for ICT budgets was ongoing. This work will be complete by the time of the next IPR. Work to date indicates that the gross projected outturn position is likely to be an over spend and that there may be ongoing budget issues to resolve.

27. The outturn remains a projection until the accounts are closed but the figures suggest that there will be a significant net under spend on the revenue account in 2006/07. This is despite the fact that CMB were anticipating a tough task in managing spending within budget for the year. It reinforces the view that there is sufficient capacity within the base budget to manage without inflation on non-pay budgets for at least 2007/08.

Draft Revenue Budget 2007/08

28. Cabinet agreed the Financial Strategy Update on the 18th January, 2007. The Strategic Monitoring Committee considered this report at its meeting on 15th January, 2007.
29. The emerging financial 'hotspots' for 2007/08 and proposed 'remedies' identified in the Financial Strategy Update report have been included in the draft revenue budget for 2007/08, along with the agreed Directorate base budgets and Invest to Save/Invest to Mitigate proposals. For convenience, the key points are summarised in the following paragraphs.

'Hotspots' and 'Remedies'

30. The 'hotspots' are as follows:
 - Reduction in proposed Council Tax increase for 2007/08 only (£560k in 2007/08 and subsequent years);
 - Providing temporary cover until the benefits realisation programme for Herefordshire Connects has been established and is delivering cashable efficiency gains for reinvestment in priority services (£5.8m in 2007/08);
 - Reduction in the assumed rate of growth in the Council Tax base (£500k in 2007/08 and subsequent years) to be reviewed on an annual basis;
 - Adjusting the base budget to reflect the initial investment needed to implement the Customer Services Strategy (£500k in 2007/08 and 2008/09 only); and
 - Addressing capacity issues in the corporate Directorates (£400k in 2007/08 and subsequent years).
31. The 'remedies' were identified as follows:
 - Use of existing Herefordshire Connects reserve (£1.5m);
 - Use of Budget Management Reserve (£1.1m);
 - Use of excess Social Care Contingency (£1.3m);
 - LABGI grant increase (£1m in 2006/07 and 2007/08);
 - Financing Transactions (£950k); and

- Procurement & efficiency savings (£250k).

Directorate Base Budgets for 2007/08

32. The base budgets for 2007/08 have been increased by amounts previously agreed by Cabinet in order to correct more minor anomalies in the existing base budget. The list of agreed changes is repeated below:

- **Queenswood Park** - £25k to restore the base budget;
- **Procurement & Efficiency Review** - £55k increase in the staffing budget to generate procurement savings and an enhance level of West Mercia Supplies (WMS) dividend;
- **Herefordshire Matters** - £50k to correct a base budget omission;
- **Corporate Development Fund** - £150k to pay for corporate subscriptions and corporate organisational development initiatives;
- **Housing Benefit & Council Tax Benefit (HB/CTN) Administration Subsidy** - £150k reduction in expected grant income from the Department of Work and Pensions (DWP);
- **Service Level Agreements** - £100k a year in the event a planned review reveals budget pressures;
- **Edgar Street Grid (Herefordshire) Ltd** – increase in base budget provision of £225k for the period 2007/08 to 2009/10.

33. The above base budget changes total £755k for 2007/08 and subsequent years.

34. The base budget for 2007/08 also includes provision for inflation on income and expenditure budgets in line with the MTFMS as follows:

Budget Heading	Inflation Assumption
Employees	2%
Employers' pension contributions	0.6%
Income budgets (see below)	2.5%
Other expenditure	0%

35. The total for pay inflation allowed for in the draft budget for 2007/08 is £1.196m. After allowing for income inflation of £578k, the net increase is £618k. The figure for income inflation is lower than reported to Cabinet on 18th January, 2007 as the calculation has been updated to exclude some income budgets that are reducing or cannot be inflated. In line with the MTFMS, inflation has not been applied to the income budgets for services such car parking or planning because there are no plans to increase the fees and charges. The budgets are however regularly reviewed to reflect changes in demand.

36. The following table summarises the draft base budget position for 2007/08 after taking

into account previously agreed changes and inflation provision:

	Base Budget 2006/07 £000	Base Budget 2007/08 £000
Adult & Community Services	44,404	44,485
Children & Young Peoples	22,030	22,694
Corporate & Customer Services	7,546	7,688
Environment	24,361	25,246
Human Resources	1,379	1,401
Resources	5,712	6,122
Sub Total Directorate Budgets	105,432	107,636
Plus:		
Financing Transactions	8,530	10,242
Social Care Contingency	1,302	1,302
Central Services	3,021	3,191
Total Base Budget	118,285	122,371

Invest to Save/Invest to Mitigate Proposals

37. An integral part of the 2007/08 budget process has been the emphasis on three-year strategic investment proposals to support the draft Corporate Plan 2007 – 10. Cabinet received a report on 26th October, 2006 confirming that the 2007/08 budget would be framed within the context of these three-year strategic decisions.
38. The updated MTFRM indicates capacity for increased spending over the period covered by the draft Corporate Plan as follows:
 - 2007/08 - £3.5m
 - 2008/09 - £3.9m; and
 - 2009/10 - £4.7m.
39. The 2007/08 figures allows for setting aside £1.5m to enhance financial capacity in 2008/09 to the level indicated above and £1.5m to cover delays in the Herefordshire Connects benefits realisation programme.
40. The Cabinet has approved Invest to Save/Invest to Mitigate proposals requiring

£3.447m of investment in corporate priorities using current charging policies for social care services. For ease of reference, a summary of the proposals is provided in the appendices to this report. The level of investment required using current charging policies can be accommodated in 2007/08. However, charging policies for social care and other services will need to be reviewed as an integral part of the MTFMS update at the start of the next Performance Improvement Cycle given the financial outlook for 2008/09 and beyond. The cashable benefits of each investment proposal need to be managed using the benefits realisation process that has been developed for the Herefordshire Connects programme.

Draft Revenue Budget Summary for 2007/08

41. The draft net budget for 2007/08 excluding schools funding is £122.371m. The Dedicated Schools Grant (DSG) will be £78.151m. The following table details the funding sources for non-school services:

	£000	%
Draft net budget for 2007/08	122,371	
Funded by:		
Central government grant	47,648	38.9
Collection Fund Surplus	256	0.2
Council Tax	74,467	60.9

42. The above is based on a Council Tax base of 68,730, representing a 0.7% rise in the equivalent figure for the current financial year. It assumes an increase in Council Tax of 3.8%, increasing the Band D Council Tax by £39.64 a year from £1,043.80 to £1,083.44.

Forecast Outturn for Capital Budget 2006/07

43. The revised capital outturn forecast for 2006/07 as at 29th January totals £47,902,000, which is a decrease of £3,899,000 from the November forecast. The main reason for this decrease is a reduction in Herefordshire Connects forecast of £4,000,000. A contractor is expected to be appointed shortly with capital spend of £19,356,000 expected in 2007/08.
44. The expected use of Prudential Borrowing has decreased by £4,850,000 in total. This represents slippage on Herefordshire Connects, as mentioned above, and on the following capital schemes:
- Friar St museum resource and learning centre of £150,000. Scheme works have been delayed by seven weeks due to substation problems.
 - Capital adaptation works of £50,000. Waiting for confirmation of requests for funding from Registered Social Landlords.
 - Crematorium Hereford of £650,000. Land acquisition delays have resulted in projected scheme slippage.

This will result in slippage on capital financing costs incurred in the revenue budget this year.

Capital Receipts Reserves Position as at 29th January, 2007

45. The capital receipts reserve totals £14,945,000, £8,693,000 of which is ring fenced to fund affordable housing schemes following LSVT. The remaining balance will be used to fund the capital schemes in the following three financial years.

Children and Young People's Directorate Summary as at 29th January, 2007

46. There have been no forecast changes. There is a predicted shortfall in future years in funding Sutton St Nicholas primary school replacement, the provision of children's centres and Riverside Junior and Infants amalgamation. These schemes are under review.

Resources Directorate Summary as at 29th January, 2007

Budget Reported as at 30 th November 2006	£2,960,000
Capital Budget Increases	
• Purchase of Cattle Market Site (new budget)	£739,000
Other budget revisions (<£100k)	£12,000
Revised Budget	£3,711,000

47. The purchase of the new livestock market site is being funded through capital receipts reserve pending capital receipt income generated by redevelopment of the Edgar Street Grid.

Corporate and Customer Services Directorate as at 29th January, 2007

Budget Reported as at 30th November, 2006	£7,742,000
Capital Budget Decreases	
• Herefordshire Connects (no spend)	(£4,000,000)
Revised Budget	£3,742,000

Environment Directorate Summary as at 29th January, 2007

Budget Reported as at 30th November, 2006	£13,387,000
Capital Budget Decreases	
• Crematorium (slippage)	(£650,000)
Revised Budget	£12,737,000

Adult and Community Services Directorate Summary as at 29th January, 2007

Budget Reported as at 30th November, 2006	£16,120,000
Capital Budget Decreases	
• Capital adaptations (slippage)	(£150,000)
Other budget revisions (<£100k)	£30,000
Revised Budget	£16,000,000

48. There is a potential budget shortfall on the Crematorium project. Discussions with the preferred contractor to reduce costs to budget are ongoing. Inflation in the construction industry is in the region of 15% due to increased energy costs and new building regulations on energy efficiency.

Draft Capital Programme 2007/08

49. CMB's capital programme proposals for 2007/08 were less in number than in previous years. This was mainly due to concerns about the capacity of the revenue account to absorb the financial implications arising from prudential borrowing. Cabinet has approved the following schemes for inclusion in next year's capital programme:
- **Stretton Sugwas Closed Landfill Site** – replacing gas wells and gas extraction system pipe work;
 - **Stretton Sugwas Closed Landfill Site** – new gas flare to meet environmental and legal requirements;
 - **Strangford Closed Landfill Site** – installation of leachate wells and gas monitoring boreholes to detect and monitor any adverse environmental effects;
 - **Hereford CCTV** – new links to provide high quality images, potentially part funded by West Mercia constabulary;
 - **Hereford Library & Info Centre** – feasibility work on a replacement library (this would have to be charged back to revenue if the project failed to proceed);
 - **Ross Library & Info Centre** – outline budget to extend the existing library so the Info facility in Swan House can be relocated.
50. The draft capital programme includes the sum required as a contribution towards a bid for lottery funding of £2m for the Ledbury Library & Info Centre (a report elsewhere on this agenda refers).
51. The draft capital programme also includes a spending proposal relating to the Integrated Community Equipment Service approved by Cabinet at its meeting on 14th December, 2006.
52. The estimated capital financing costs for the above schemes totals £61k in 2007/08, £168k in 2008/09 and £175k in 2009/10 with annual reductions in repayments thereafter.
53. The Council is involved in either facilitating or delivering a number of capital schemes funded from external sources. In some cases these schemes have cash flow

implications that may have an impact in 2007/08. The opportunity cost to the Council of temporarily funding £1m of capital expenditure for 1 year pending receipt of the anticipated external funding contribution is approximately £50k in terms of lost investment income. This potential cost has been built into the MTFRM. Schemes where this may apply are as follows:

- Rotherwas Futures;
- Edgar Street Grid; and
- Grant funded schemes such as the Ross Flood Alleviation Scheme and the Building Schools for the Future programme.

54. Summary of the draft capital programme for 2007/08 is provided in an appendix to this report.

Conclusions

55. Herefordshire can demonstrate a sound track record on providing value for money services. The recent changes in corporate planning processes will help underpin further improvements for the future as resources follow priorities more closely than has previously been the case.

56. The renewed commitment to using resources more corporately also makes sure the Council is best positioned to tackle the significant service and financial challenges that lie ahead. The MTFMS provides a mechanism for making best use of available resources to pump-prime a business transformation programme that will deliver cashable efficiency gains that can be recycled for investment in corporate priorities such as protecting the vulnerable in our communities.

57. The MTFMS provides the financial context for corporate and service planning and ensures that resources are allocated efficiently in line with the agreed strategy. The Council needs to continue to closely monitor service and financial performance alongside one another, embedding the recent developments in the quality of our Integrated Performance Reports. The benefits realisation programme for Herefordshire Connects and other Invest to Save initiatives will also need to be closely monitored to ensure that the benefits are released by Directorates to support investment in corporate priorities.

Alternative Options

Alternative options have been considered at each stage of the Performance Improvement Cycle.

Risk Management

The Medium-Term Financial Management Strategy identifies and proposes mitigating action for the key corporate financial risks. It includes a detailed description of each of the key variables in the Medium-Term Financial Resource Model and assesses the impact of a change in each of them assuming the others remain constant (sensitivity analysis).

Consultees

The public via the October 2006 Community Forum meetings, business rate payers via consultation meeting, Strategic Monitoring Committee, Unison, Corporate Management

Board, Senior Management Team, Leadership Forum and members via a seminar.

Background Papers

None identified.

i) Spend to Save Proposals

Proposals under this section are those that require non-recurrent budget provision. Proposals that came forward aim to improve services for vulnerable children and older people.

- **Safeguarding and assessment – commissioning professional foster support for children.**

To purchase professional foster care within Herefordshire to halve the number of children, from 14 to 17, in 2008/09 who will be placed in independent foster care outside the county.

Expenditure Required			Expected Income/Benefits		
2007/08 £000	2008/09 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
135	100	50	Cashable 0	Cashable 200	Cashable 200
			Non cash 682	Non cash 426	Non cash 0

- **Community Development Workers for adult social care [This was to be subsumed in the overall programme of improvements to adult social care – and now should be, since those were approved by Cabinet in December]**

Population projections indicate an increase in numbers and in the proportion of older people in the population as a whole. A needs analysis carried out in 2006, indicates that, by 2011, there will be a 42.9% increase in the number of people aged 85 and over in Herefordshire. These significant demographic changes will place increasing pressure on health and social care to develop new models of care. The Community Development Workers will work within the community with local organisations to develop and promote a range of low-level support services. The workers will explore opportunities for the use of community facilities such as libraries, clubs, pubs, leisure facilities. These services would reduce the need for admission to hospital and residential care and intensive domiciliary packages.

Expenditure Required			Expected Income/Benefits		
2007/08 £000	2008/9 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
45	46	47	109	127	182

- **Independent Living Fund (ILF) worker (Adult Social Care)**

The ILF is a Government funded charity, which provides funding to severely disabled people to enable them to live independently. Individuals have to be in receipt of high rate Disability Living Allowance and receive care services from the LA of a weekly value of over £210. Any amount provided by ILF reduces the LA financial commitment by the equivalent amount. The maximum provided by ILF is £475 per week. Currently not all eligible service

users are accessing ILF and alterations in care arrangements are not routinely reported to ILF. Employment of a specialist worker would maximise income against ILF by:

- increasing the number of people applying for and receiving ILF contribution;
- ensuring that any increases in care packages are shared by ILF;
- ensuring notification to ILF of decreases in care packages is timely.

Expenditure Required			Expected Income/Benefits		
2007/08 £000	2008/09 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
25	25	25	35	35	35

ii) Spend to Mitigate Proposals

Proposals under this section will need recurrent budget provision. As with the previous proposals these are to improve services for vulnerable children and older people. The most significant and largest programme to ensure the Council can meet unavoidable future demand from older people and adults with learning difficulties.

• **Modernised, high performing social care and community services for older people**

Following a major review of older people's future social care needs in Herefordshire it has been confirmed that needs are increasing because of year-on-year increases in numbers of older people. Without changes being made it would cost nearly twice as much extra a year to provide relatively poor services than it would to provide high-quality, more efficient services to the larger number of people who will need them. The proposal also identifies the need for parallel investment to increase voluntary sector led community services. The investment in the overall proposal will substantially reduce the level of increased funding required if current patterns of service delivery continue. The proposal is also linked to a review leading to increased charges for those who can afford to pay. The following indicates two levels of investment required, one has an increase in charges and the other (higher) one assumes current charging policies remain.

	Expenditure Required		
	2007/08 £000	2008/09 £000	2009/10 £000
Cost to the Council:			
Additional costs if no increases in charges	2,040	1,894	1,894
Cumulative position	2,040	3,934	5,828
Additional costs with increase in charges	1,189	(245)	1,769
Cumulative position	1,189	944	2,713
Cumulative net cost of not increasing charges	851	2,990	3,115

- **Modernised, high performing social care and community services for adults with learning difficulties (AWLD)**

A major review of AWLD's future social care needs has been undertaken. With increasing life expectancy there has been an effect on the level of needs to be met. If no changes are made to the current approach and levels of charges to those who can afford to pay it would cost over five times as much extra a year to provide relatively poor services than it would to provide high-quality, more efficient services. As with the previous proposal a parallel investment is needed, but this time in general community services. The following information indicates two levels of investment required, one has an increase in charges and the other (higher) one assumes current charging policies remain.

	Expenditure Required		
	2007/08 £000	2008/09 £000	2009/10 £000
Cost to the Council:			
Additional costs if no increases in charges	601	576	576
Cumulative position	601	1,177	1,753
Additional costs with increase in charges	469	125	562
Cumulative position	469	594	1,156
Cumulative net cost of not increasing charges	132	583	597

- **Integrated services and inclusion for young people**

This proposal intends to enable better outcomes for young people with disabilities who are leaving school and require ongoing support. The JAR said that present arrangements were deficient: this is therefore part of the JAR Improvement Plan. It provides for co-coordinating resources and creates more options for those young people thus reducing their support needs. The proposal requires the following investment and produces some non cashable benefits:

Expenditure Required			Expected Income/Benefits		
2007/08 £000	2008/09 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
18	20	20	Cashable 0	Cashable 0	Cashable 0
			Non cash 15	Non cash 10	Non cash 5

- **Commissioning and Improvement in services for Children and Young People**

This investment is required to establish a Data & Performance Unit within the directorate, as a prerequisite to gaining improved service and higher standards, including through more effective scrutiny.

Expenditure Required			Expected Income/Benefits		
2007/08 £000	2008/09 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
100	0	0	Cashable 0	Cashable 0	Cashable 0
			Non cash 0	Non cash 1,190	Non cash 238

- **Safeguarding and Assessment for children**

To fund additional social workers to bring provision in line with recommended standards, thereby ensuring improvements in quality of provision and reducing reputational risk. Number of assessments to be increased from 220 per 10,000 to 350 per 10,000 leading to a reduction of children on looked after register. Cashable saving from reduced need to use agency staff to carry out assessments.

Expenditure Required			Expected Income/Benefits		
2007/08 £000	2008/09 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
300	300	0	Cashable 0	Cashable 375	Cashable 185
			Non cash 408	Non cash 408	Non cash 0

- **Integrated services and inclusion – increasing family support**

Increased family support to address issues at an early stage before they escalate into crises which require expensive intervention. 10% reduction in number of children having to be looked after. Additionally, proposal would help looked after children to lose fewer days' schooling, as well as achieving a 2% increase in the proportion of those gaining 1 or more GCSEs.

Expenditure Required			Expected Income/Benefits		
2007/08 £000	2008/09 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
228	0	0	Cashable 0	Cashable 117.5	Cashable 59
			Non cash 187	Non cash 277	Non cash 0

FINANCIAL PROFILE OF SPEND TO SAVE AND SPEND TO MITIGATE PROPOSALS

	Expenditure Required			Expected Income/Benefits		
	2007/08 £000	2008/09 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
i) Spend to Save Safeguarding and assessment – commissioning professional foster support for children.	135	100	50	0	200	200
Independent Living Fund (ILF) worker	25	25	25	35	35	35
ii) Spend to Mitigate Modernised, high performing Social Care and Community Services for older people						
• Additional costs if no increases in charges	2,040	1,894	1,894	-	-	-
• Additional costs with increases in charges	1,189	(245)	1,769	-	-	-
Modernised, high performing social care and community services for adults with learning difficulties						
• Additional costs if no increases in charges	601	576	576	-	-	-
• Additional costs with increases in charges	469	125	562	-	-	-
Integrated Services and inclusion for young people	18	20	20	0	0	0
Commissioning and Improvement in services for Children and Young People	100	0	0	0	0	0
Safeguarding and Assessment for children	300	300	0	0	375	185
Integrated services and inclusion – increasing family support	228	0	0	0	117.5	59
Total without increases in charges	3,447	2,915	2,565			
Total with increases in charges	2,464	325	2,426			
Total Income				35	727.5	479

2007/08 Bids for Prudential Borrowing

Schemes	Amount Requested					Life (Yrs)	Estimated Capital financing costs							
	07/08	08/09	09/10	10/11	Total		07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
	£'000	£'000	£'000	£'000	£'000		£	£	£	£	£	£	£	£
1 Stretton Sugwas Closed Landfill Site - Replacing gas wells & pipe work of gas extraction system.	70	40	40	40	190	10	3	12	17	23	26	25	24	24
2 Strangford Closed Landfill Site - Installation of leachate wells & gas monitoring boreholes to detect and monitor any adverse environmental effects.	18				18	10	1	3	3	2	2	2	2	2
3 Stretton Sugwas Closed Landfill Site - New gas flare needed to replace poorly designed current flare. This bid has specific legal and environmental requirements.	70				70	10	3	10	10	10	9	9	9	8
4 Herefordshire CCTV - New links to ensure images are of highest standard to reduce crime and disorder. Possibility of funding from West Mercia Constabulary.	90	50			140	10	4	15	20	19	19	18	17	17
5 Hereford Library - Consultancy on service provision, financial appraisal with funding opportunities. Feasibility work.	35				35	25	2	3	3	3	3	3	3	3
6 Ledbury Library - Sum required as contribution to support the submission of a bid for lottery funding of £2m.	375				375	25	5	32	31	31	30	29	29	28
7 Community Equipment Store development. A building programme to develop the premises currently used by the Integrated Community Equipment Service in line with local and national initiatives, so that a wider range of services can be provided, along with assessment, demonstration and training facilities.	300				300	25	7	26	25	24	24	23	23	22
8 Ross Info & Library - Extension & Refurbishment. This bid involves the relocation from rented property to a single owned accommodation site. Costs are currently estimated and subject to a more detailed bid.	800				800	25	36	67	66	65	64	62	62	62
	1,758	90	40	40	1,928		61	168	175	177	177	171	169	166

Schemes for future consideration

9 Leominster Closed Landfill Site - Additional to original restoration bid as a requirement under the Waste Management Licence. The detailed scheme is to be developed. There would be expected annual revenue costs of around £100,000.		1,600			1,600	25			72	136	133	130	127	124
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Notes

Capital bids have been requested from directorates and the above bids have received initial endorsement from directors and Cabinet members. A more detailed business case for each bid is currently being considered in order to rank these as appropriate.

Financial Resource Model	2007/2008	2008/2009	2009/2010	2010/2011
	Budget £'000	Budget £'000	Budget £'000	Budget £'000
Base Budget	118,285	122,371	126,695	131,220
Inflation	618	635	608	661
	118,903	123,006	127,303	131,881
Other Items				
- Waste management - PFI Contract (net of £2m reserve)* <i>*additional £850k required in 2011/12 to restore net budget</i>	550	450	500	500
- Whitecross PFI requirement (net of schools contribution)	451	0	0	0
- Part transfer of Preserved Rights grant into FSS	0	1,891	0	0
MTFMS changes per para 7.3.8				
- Queenswood Park	25	0	0	0
- Procurement & Efficiency Staff	55	0	0	0
- Herefordshire Matters	50	0	0	0
- Chief Executives Development Fund	150	0	0	0
- HB & CT Benefit Administration	150	0	0	0
- Support Services Review	100	0	0	0
- ESG	225	0	0	(225)
MTFMS changes per para 7.4.2				
- Herefordshire Connects - Revenue Costs	0	1,866	(566)	(280)
- Herefordshire Connects - Revenue Savings	(5,800)	(4,800)	(800)	(350)
- Accommodation Strategy	0	0	0	0
- LPSA 2 Reward grant - 75% of Revenue element	0	(823)	0	823
Capital Financing Costs				
- Herefordshire Connects	460	2,111	(82)	(82)
- Accommodation Strategy	0	146	254	492
- Repayment of LGR SCA	0	(453)	(334)	(230)
- Rotherwas Futures	0	0	0	0
- Existing SCE(R) & Prudential Borrowing	210	(192)	638	(422)
- New Prudential Borrowing Bids	68	162	109	112
- Cash flow implications of externally funded projects	500	0	0	0
Funding Sources				
- Use of existing Herefordshire Connects Reserve	(1,500)	1,500	0	0
- Transfer of Part of Social Care Contingency Reserve	(1,300)	1,300	0	0
- Transfer of Budget Management Reserve	(1,100)	1,100	0	0
- LABGI Grant	(2,000)	2,000	0	0
- Increased Cash Transactions Income	(500)	500	0	0
- Accommodation Capital Financing Cost	0	0	0	0
- Balance Sheet Review	(300)	300	0	0
- Procurement & Efficiency	(250)	0	0	0
Emerging Pressures				
- Cover for Herefordshire Connects Savings	5,800	(5,800)	0	0
- Reduced level of Council Tax Income	0	0	0	0
- Customer Services Division	500	0	(500)	0
- Corporate Capacity	400	0	0	0
Capacity to achieve desired Tax increase	6,524	2,431	4,698	3,786
TOTAL BUDGET	122,371	126,695	131,220	136,005
Council Tax increase	3.80%	4.70%	4.70%	4.70%
Dedicated Schools Grant b/fwd	78,151	81,511	83,142	84,805
Increase	3,360	1,630	1,663	1,696
Dedicated Schools Grant	81,511	83,142	84,805	86,501
DSG % increase	4.3%	2.0%	2.0%	2.0%

PUBLIC SERVICE TRUST PROJECT INITIATION DOCUMENT

PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

8TH FEBRUARY, 2007

Wards Affected

County-wide

Purpose

To note the progress being made in relation to the formation of a Public Service Trust.

Key Decision

This is not a Key Decision.

Recommendation

THAT the attached Project Initiation Document and Terms of Reference which were approved by the Primary Care Trust Board on Thursday, 25th January, 2006 be approved as a basis for advancing the work on the Public Service Trust.

Reasons

It is important that both the Primary Care Trust and the Council now put in place measures which will enable the provisional dates of 1st October, 2007 and 1st April, 2008 to be met.

Considerations

1. Council agreed, in principle, the arrangements for taking forward the development of a Public Service Trust and approved the arrangements for membership of a Steering Group at its November meeting. That Group has been meeting informally and will meet with its full membership for the first time on Thursday, 1st February, 2007. The attached Project Initiation Document and Terms of Reference provide the framework for a very significant amount of work to be taken forward and have been agreed in draft between the Council and the Primary Care Trust. Formal endorsement of those arrangements is now sought.
2. Rather than prepare a separate report in the normal Cabinet form, there is attached as an appendix the draft joint papers proposed for endorsement by the Council and already endorsed by the Primary Care Trust.

Financial Implications

There are financial implications and the intention is for these to be assessed as part of the overall project. Both parties will want to undertake due diligence enquiries as part of the

Further information on the subject of this report is available from
N.M. Pringle, Chief Executive (01432) 260044

process of understanding the financial stability of the respective partner. There will also be a need to understand the different funding streams available to the respective partners and the overall funding envelope within which the proposal will have to be contained.

This will form part of the Corporate Resource and Finance Working group and will be a key feature of the Steering Group's consideration.

Risk Management

The risks associated with not proceeding were identified in earlier papers and there will be a separate risk assessment of the proposals themselves.

Alternative Options

The alternative option would be for the parties to remain as they currently are, although there would be opportunities for greater integration of the commissioning functions.

Consultees

The consultation to date has been limited to the parties and within their respective organisations. The documentation does, however, include proposals to establish a Communication Consultation, Involvement and Clinical Engagement work stream which would be responsible for advising the Steering Group on the wider consultation on the proposals with the public.

Appendices

Appendix 1 – Project Initiation Document and Terms of Reference

Background Papers

None identified.

HEREFORDSHIRE PUBLIC SERVICE TRUST PROJECT

PROJECT INITIATION DOCUMENT

INTRODUCTION AND BACKGROUND TO THE CONCEPT OF THE PUBLIC SERVICE TRUST

The concept of a Public Service Trust arose from the consultation undertaken by the West Midlands South Strategic Health Authority on the reconfiguration of PCTs in the region as a result of the Department of Health's "Commissioning a Patient Led NHS" proposals. Those proposals sought to establish larger PCTs with strengthened commissioning capacity and to create a clear separation between commissioning and providing roles. It was clear that locally the PCT would not remain unaffected by these reforms and choices would have to be made about future configuration and direction. Given the strong sense of community and close working relationships in Herefordshire the preferred option was to retain a Herefordshire based PCT and to exploit the advantages of an even closer working relationship with Herefordshire Council. The result of which is the development of a radical and exciting option to form a Public Service Trust (PST). This would see all of the resources of both the Council and the commissioning functions of the PCT being much more closely aligned for the direct benefit of service users.

This Project Initiation document therefore establishes the framework for taking this innovative and unique proposal forward.

CHALLENGE

The challenge which was faced in Herefordshire was that of being in geographical terms one of the three largest local authorities in the West Midlands Government Office area but in terms of population being one of the smaller of the upper tier or single tier authorities within the region. It is also in national terms the most sparsely populated unitary authority. Those challenges based as they are on the issues of geographic size and population are replicated when it comes to consideration of the appropriate size of unit required to commission health services. It is this challenge to which the Public Service Trust proposal seeks to respond to establish a unique model of public service provision across local government and health to respond to the particular needs of Herefordshire.

VISION

The emerging vision is that of a single public service commissioning body for Herefordshire, capable of supporting both the Council and the Primary Care Trust in ascertaining and prioritising the needs of the community; and in securing high quality services to meet those needs. In governance terms, there will be a need to establish a new public service organisation called a Public Service Trust to fulfil the

commissioning role of the PCT and the Council and to ensure, in particular, that those arrangements enable the Council to fulfil any Children's Trust obligations and other statutory responsibilities..

It would be illogical for the wider vision for the organisation to be other than that to which both organisations already subscribe through the Herefordshire Partnership and as set out in the Community Strategy, namely:

Herefordshire will be a place where people, organisations and businesses working together within an outstanding natural environment will bring about sustainable prosperity and well-being for all.

To help individuals achieve their potential and improve health, well-being and prosperity, the new public service organisation will work within the four themes of the Community Strategy. Whilst these themes will cover much of the PST's work there will be other areas that form part of the Primary Care Trust's responsibilities that are not currently captured by these themes. This project will seek to integrate them into the Community Strategy.

HEALTHY COMMUNITIES AND OLDER PEOPLE

- Reducing health inequalities and promoting healthier lifestyles.
- Ensuring older people and vulnerable adults enjoy more independence and choice.

CHILDREN AND YOUNG PEOPLE

- Ensuring children and young people are healthy and have healthy lifestyles.
- Ensuring children and young people are safe, secure and have stability.
- Ensuring children and young people achieve education, personal, social and physical standards.
- Ensuring children and young people engage in positive behaviour inside and outside of school.
- Ensuring children and young people engage in further education, employment and training on leaving school.

ECONOMIC DEVELOPMENT AND ENTERPRISE

- Creating more and better paid employment.
- Creating a more adaptable and higher skilled workforce.
- Reducing traffic congestion through access to better integrated transport provision.
- Reducing hardship by encouraging the uptake of benefits for those who have an entitlement.

SAFER AND STRONGER COMMUNITIES.

- Reducing levels of and fear of crime, substance misuse and anti-social behaviour
- Minimising accidents
- Creating cleaner and greener and communities seeking to ensure that people are active in their communities and fewer are disadvantaged.

In integrating the organisations in this way, it will be important to adhere to the following principles:

- Creating single points of access;
- Establishing clear pathways to service provision;
- which will also:
 - Be responsive to individual needs and engage people and their communities in the shaping and prioritisation of services.
 - Draw on the partnership across and between the public sector bodies in the County
 - Establish strong links between individual components of service within the Partnership
 - Eliminate unnecessary organisational and professional barriers, maximising the effective commissioning and provision of service to meet individual needs.

This describes what the Public Service Trust is seeking to achieve on behalf of the community but it is not possible to describe each and every individual component of service, commissioned or provided by the Council or commissioned by the PCT.

DELIVERY OF THE VISION

The integration of public service provision envisaged needs to be managed in a way which effectively uses the principles of project management and change management.

Project Management Arrangements

Mr. Russell B. Hamilton, former Chief Executive of Hereford and Worcester Ambulance Service NHS Trust, has been appointed as Project Director to project manage the initial work on the project. Russell B. Hamilton will be supported initially on a part-time basis by Helen Playdon who is seconded from the PCT to the role of Project Officer. The project office will be located centrally in Hereford.

Project Timetable

One of the early tasks will be to establish a project timetable which will enable the arrangements to operate in shadow from 1st October 2007 with both commissioning and provider arms being fully functional by at the latest April, 2008. The PST development project will therefore run in parallel with Primary Care Trust Provider Services Project. The Steering Group will maintain close links with the Provider Services Project Team who together will need to

consider whether it is feasible for the public consultations on the proposals to be carried out jointly.

Consultation and Public Involvement

The PCT and the Council are committed to engaging key local stakeholders e.g. not for profit / voluntary sector in the process and to consulting the local population on the proposals that emerge from this work. The importance of this is recognised by the formation of a Working Group that is to be established specifically for this purpose.

Work Streams

The initial work on the project will need to be undertaken through a series of work streams, for the most part jointly staffed by the PCT and the Council. The key principles to be adopted in the project management of the work streams are:

- To maintain two-way communications with and between the other work streams that form part of the development programme;
- To provide regular updates on progress;
- To manage the work by reference to Prince 2 principles;
- Develop and modify the work streams as set out in the remainder of this part of the paper, preparing appropriate papers and ensuring that the work being undertaken in parallel within the work streams is co-ordinated and focused on the delivery of the project time table.

A number of work streams (Working Groups) are proposed and these are set out below:

(i) Project Steering Group

It is proposed to establish a Project Steering Group which will be jointly chaired by the Leader of the Council and the Chair of the PCT. The Chief Executive of the Council and the Chief Executive of the PCT would also serve as part of the Project Steering Group. It is proposed that the Project Steering Group be further augmented by the appointment of one further Councillor from the Council, one further non-Executive Director from the PCT and the Chairman of the PCT's Professional Executive Committee (PEC).

The Project Steering Group will –

- Be responsible to the Council and the PCT for the overall conduct and delivery of the PST project;
- Be responsible for the provision of appropriate resources and financial accountability of the project, given the risk to which the unsuccessful delivery of the PST would represent for both organisations in financial and representational terms;

- Be responsible for monitoring progress, ensuring that the individual work streams are managed as a whole to achieve the best possible results for the people and communities of Herefordshire;
- Oversee the implementation of the Communication Strategy agreed for the programme
- Adopt an appropriate change management model which would enable the new organisation to recognise the differences in culture between the PCT and Council, and to establish a new set of core values enabling it to build on the existing strengths of both contributing organisations;
- Receive regular reports from the Chief Executive of the Council and Chief Executive of the PCT based on the Project Director's reports from the below listed work streams.
- Receive regular reports and updates from the Chairs of Working Groups established by the Steering Group.
- Receive regular reports and updates regarding the progress of the PCT's Provider Services Project.

(ii) **Human Resources and Change Management**

Chair: Julie Thornby

- To agree a joint change management policy across both organisations;
- To determine the HR implications of creating the PST;
- To determine a recruitment policy to fill vacancies;
- To determine the future HR needs of the PST and how these are best met.
- To ensure that effective arrangements for engaging staff and their representatives exist.

(iii) **Clinical and Corporate Governance**

Chair: Ian Tait

- To determine appropriate arrangements to meet the overall requirement of the Council and the PCT;
- To meet the legal requirements for governance to enable both the Council and the PCT to satisfy the requirements of the Local Government Acts and Health Acts respectively, including overview and scrutiny arrangements.
- To determine the appropriate structure for financial governance to ensure the financial requirements of both Local Government and NHS can be secured, including any statutory or audit requirements.

- To enable both organisations to meet any subsidiary requirements in relation to use of resources, value for money, efficiency savings.
- To establish arrangements to secure the clinical / non-clinical governance requirements to the NHS and the government requirements imposed on local government especially in relation to specific services for adults and children.
- To secure appropriate arrangements for the overall corporate governance of both organisations, particularly in the areas of code of conduct, standards, diversity.
- To establish arrangements to implement relevant policy frameworks (e.g. Civil Contingencies; Freedom of Information; Data Protection etc).

(iv) **Communication, Consultation and Involvement and Clinical Engagement**

Chair: Robert Blower

- To map and evaluate key internal and external communications channels and activities across the PCT and Council.
- To commit to a single integrated communication and consultation approach during the run up to the establishment of a Herefordshire PST, and to form the basis of a culture change programme.
- To identify and prioritise stakeholders in the PST as the basis for structured communications, consultation and involvement.
- To establish shared principles for communications, consultation and involvement.
- To create an integrated communication and consultation strategy.
- To develop a clear and simple brand structure, building on existing brand equity.
- To ensure effective clinical engagement

(v) **Customer and Patient Services**

Chair: Jane Jones

- To map out existing customer and patient service provision, practice and provision within the PCT and the Council;
- To commit to a single integrated approach to customer and patient services and to establish the principals that will be used to guide that model;
- To establish a common set of customer standards, training and culture in the approach to customers and patients;
- To seek to establish in as far as is possible a single coherent system for dealing with complaints. (Any such system will need to

be capable of meeting the different regulations within local government and the NHS and internally in both organisations);

- To incorporate the relevant diversity framework which would enable any legal and corporate governance requirements to be fulfilled.

(vi) **Corporate Resources and Finance**

Chair: Sonia Rees

- To establish overall direction and appropriate reporting for the development of corporate resource management (covering finance, property and ICT) frameworks for the PST;
- To be responsible for the overall conduct and delivery of the development of such strategies;
- To determine appropriate fit of services and support arrangements.

(vii) **Planning, Commissioning and Performance Management**

Chair: Yvonne Clowsley

- To establish overall direction and appropriate reporting for the development of planning, commissioning and performance management frameworks for the PST;
- To be responsible for the overall conduct and delivery of the development of such strategies;
- To identify and agree a definition of commissioning which is appropriate for Children's Trust arrangements, Adult Social Care and the wider Council and PCT delivery arrangements as they link to the PST proposals;
- To liaise with other working Groups to identify and agree a range of Key Performance Indicators (KPI's) that both fulfil the current national reporting requirements and support the development of the PST.

(viii) **Public Health and Health Improvement**

Chair: Frances Howie

- To assess public service needs;
- To maximise opportunities for public health programmes which safeguard and improve the health of local people in line with local and national priorities;
- To satisfy both organisations that their statutory responsibilities will be delivered.

(ix) **Environment Services**

Chair: Andy Tector

- To determine how the outcomes for the following key priorities can be influenced by the delivery of services through a Public Service Trust:
 - Sustainability through minimising waste and responding to climate change;
 - Safer and stronger communities by reducing traffic accidents, congestion and improving the street scene, improving economic development, innovative forward planning and delivery of the Respect Agenda;
 - Public protection through food safety inspections and food licensing
 - To reduce the human and economic impact on the community and of those whose life is lost or severely affected as a result of preventable incidents.
 - To recommend appropriate organisational arrangements to secure added value in the way services are delivered.
 - To identify and determine how the development of environmental health services will contribute to the improving health of the population.

FRAMEWORK FOR THE WORK STREAMS (Working Groups)

It is proposed that the work streams should be tested against the success criteria set out in Annex 2 of the paper prepared by Alan Curless and Associates Limited and which formed part of the report to both the PCT and the Council on which the original approval was based. The six criteria which provide the framework within which the work streams should operate are:

Criterion 1: To improve services to the customer

Criterion 2: To improve utilisation of resources

Criterion 3: To meet expectations of key stakeholders

Criterion 4: To improve future viability of independent Herefordshire public sector bodies

Criterion 5: To satisfy Herefordshire Council and Herefordshire PCT Board governance and delivery agenda

Criterion 6: Raises the Herefordshire profile at regional and national level.

Further details as to those criteria are set out in Appendix 1 attached to this document.

Each group will be expected to provide the Steering Group with regular progress reports detailing its work. They will also need to provide the Steering Group with a self assessment against the six criteria (above).

LEADERSHIP

An essential component of any change programme is the establishing of clear leadership.

That leadership needs to be established at the earliest possible opportunity and given the composition of the two bodies needs to be established in both governance and managerial terms.

In **governance** terms, clear leadership will be required from the Chair of the PCT and the Leader of the Council. It is proposed that that obvious leadership be augmented by creating support for the Chair of the PCT and the Leader of the Council by the appointment of one further non-Executive Director from the PCT and one further Councillor from the Council. It is also proposed to augment the leadership in governance terms by appointing the, Chairman of the PCT's Professional Executive Committee who is the Trust's lead clinician.

In terms of **managerial** leadership, this will be provided initially through the Chief Executive of the Council and the Chief Executive of the PCT. Their primary managerial responsibilities will, however, remain with the running of their existing respective organisations pending the appointment of a single individual for the post of joint Chief Executive who would discharge the duties of Chief Executive of the PCT and Chief Executive and Head of Paid Service of the Council. That appointment will be an important first step in establishing leadership of the new organisation and, subject to the requirements of consultation and formal agreement by the Council and PCT, every endeavour should be made to secure that appointment at the earliest possible stage.

ISSUES TO CONSIDER FOR EACH CRITERION:-

CRITERION 1: TO IMPROVE SERVICES TO THE CUSTOMER

- Single point of access to services
- Single assessment process and individual plans
- Better integration of services and greater coherence
- Local Social and Health Care Zones
- Separation of commissioning and procurement
- Less health inequalities
- Better communication with the public
- Putting people more in control of health and well-being
- Stronger focus on prevention
- Stronger Public Health Agenda
- Improved provision
- Single complaints system
- Meet community expectations
- Improved performance against targets
- Providing stronger market management and more opportunity to develop
- Innovative provision through joined-up commissioning
- Greater clinician involvement across a wider range of health and social care needs

CRITERION 2: TO IMPROVE UTILISATION OF RESOURCES

- Better value for money and cost savings
- Savings on management costs
- Better use of current estate and more co-location
- Providing stronger commissioning of services for the public, by combining scarce commissioning capacity, with the aim of improved performance and better outcomes for individuals and communities
- Improved and better co-ordinated research
- Improved public consultation process
- Improved performance management/performance assessment
- Better integration of all services e.g. Housing, Leisure, Transport
- Opportunity for shared back office functions
- Opportunity to review systems and improve
- Reduction in number of committees
- Major Human Resource Management opportunities

CRITERION 3: TO MEET EXPECTATIONS OF KEY STAKEHOLDERS

- Improve prospect of delivering Local Strategic Partnership plan and Herefordshire Partnership agenda
- Meet Strategic Health Authority agenda – status quo for Herefordshire PCT not acceptable because of size and scale of operation
- Supports Governments vision for closer working and integration of services
- Provides the Community Leadership role of local authority
- Separation of commissioning and procurement
- Provides further opportunities for the third sector
- Provides opportunities for other public sector bodies to integrate services and provision into the Public Service Trust
- Satisfies the community agenda – decision making taken more locally
- Improves Value for Money
 - Costs - Economy
 - Inputs and Outputs - Efficiency
 - Outcomes - Expectations

CRITERION 4: TO IMPROVE FUTURE VIABILITY OF INDEPENDENT HEREFORDSHIRE PUBLIC SECTOR BODIES

- Economies of scale and rural factors requires a more imaginative solution to structures
- Pressure each year on local authority budget
- Need to reduce management costs at Herefordshire PCT by 15%
- Expectations of Strategic Health Authority
- Need to avoid duplication and increase shared services
- Other public sector bodies able to join in and therefore, reduce costs
- Improves prospects of recruiting wider choice of senior managers
- A “rural proofed” solution to achieve viable services for relatively small rural populations, distant from other population centres, by combining LA and PCT commissioning requirement

CRITERION 5: TO SATISFY HEREFORDSHIRE COUNCIL AND HEREFORDSHIRE PCT BOARD GOVERNANCE AND DELIVERY AGENDA

- Creating a more effective force to sustain and develop a vibrant local economy, and deliver the targets of the LAA
- Difficulty in delivering the proposed structure
- Needs to take into account changes in the Herefordshire PCT Board and Senior Management Team
- Needs to take into account possible political changes within Herefordshire Council
- Need to ensure that good governance arrangements are in place to satisfy both parties
- Need to convince both parties of the customer benefits and the control of funds
- Potential press and external reaction to the proposal
- Potential Senior Management Team and staff reaction
- Creating a formal governance arrangement to deliver:-
 - Children's Trust arrangements
 - Public Health joint programme
 - Key parts of the LAA
 - A mechanism for GP practice based commissioners to work with commissioners of broader services beyond health, a Herefordshire PST, could for example, develop annual accountability arrangements with practice based commissioners including public health targets

CRITERION 6: RAISES THE HEREFORDSHIRE PROFILE AT REGIONAL AND NATIONAL LEVEL

- Benefits of a flagship project
- Potential to ask for greater flexibilities
- Potential to improve funding because new proposals are innovative
- Improves the prospect of recruiting wider range of senior managers because of the innovation
- Opportunity to build on current good practice and improve external assessment ratings

HEREFORDSHIRE PUBLIC SERVICE TRUST

STEERING GROUP

TERMS OF REFERENCE

Constitution: The Primary Care Trust Board and Council hereby resolve to establish a Steering Group whose responsibility is to develop the proposal for a Public Service Trust in Herefordshire. The Steering Group is a non-executive group and has no executive powers, other than those specifically delegated in these Terms of Reference.

Membership: The Steering Group shall be appointed by the Primary Care Trust Board and the Council from amongst the Non Executive Directors, Councillors, Executive Directors and Officers of the constituent organisations and other relevant bodies as appropriate. The membership will include the Leader of the Council, Chair of the PCT, Chief Executive of the Council, Chief Executive of the PCT, a further Councillor and Non Executive Director of the PCT, and the Chair of the PCT's Professional Executive Committee. The Project Director will be accountable to the Chief Executives of the PCT and Council and will be entitled to attend the Steering Group. A quorum shall be not less than four members, one of which must be the Leader of the Council or the PCT Chair and one of whom must be the Chief Executive of the Council or the PCT, in addition to which there should be at least one representative of the PCT and the Council. The Steering Group's membership will be kept under constant review to ensure that it engages those who are needed to ensure the success of the project.

Chairman and Vice Chair: The Leader of the Council and Chair of the PCT will jointly Chair the Steering Group and therefore fulfil the roles of both Chair and Vice Chair.

Authority: The Steering Group is authorised by the Council and Primary Care Trust Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request in connection with this made by the Steering Group.

The Steering Group is authorised by the Council and Primary Care Trust Board to obtain outside legal or other independent

professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary in fulfilling its responsibilities.

Accountability: The Steering Group is jointly accountable to Herefordshire Primary Care Trust Board and Herefordshire Council.

Reporting Arrangements: The minutes of the Steering Group meetings shall be formally recorded and submitted to the Primary Care Trust Board, to the Council's Cabinet and, where appropriate, full Council (the Council). The Chair of the Steering Group shall draw to the attention of the Primary Care Trust Board and Council any issues that require disclosure to the full Primary Care Trust Board / Council or require executive action.

Secretarial/ Administrative Support: A Project Office will be established to provide appropriate administrative and secretarial support to the Steering Group and the Project Officer will;

- attend to take minutes of the meeting, keep a record of matters arising and issues to be carried forward;
- prepare the agenda and collate the papers;
- provide administrative support to the Steering Group in relation to its work.

Frequency of Meetings: Meetings shall be held not less than monthly. Other meetings may be held at the request either of the Chairs or by agreement by the Steering Group if they consider it necessary to the successful delivery of the project.

Define minimum notice period for meetings: A schedule of meetings will be agreed at the first meeting of the Steering Group. Agenda and papers will be published a minimum of one week prior to the date of the meeting.

Attendance: The Chairs of Working Groups will be invited to attend meetings to report on the progress of their respective group, to respond to any questions of Steering Group members and to seek advice or clarification on any issues requiring the support or direction of the Steering Group.

The Steering Group can require the attendance of any employee or other that it considers necessary for the efficient and effective conduct of its business.

Key Relationships: The Steering Group reports to Herefordshire Primary Care Trust Board and Herefordshire Council.

Duties / Principal Responsibilities: The duties of the Steering Group can be categorised as follows:

Governance, Risk Management and Internal Control

The Steering Group's principle responsibility will be to the

Council and the Primary Care Trust Board for the overall conduct and delivery of the Public Service Trust project;

It will also:

Be responsible for the provision of appropriate resources and financial accountability of the project, given the risk to which the unsuccessful delivery of the Public Service Trust would represent for both organisations in financial and representational terms.

Be responsible for monitoring progress, ensuring that the individual work streams are managed as a whole to achieve the best possible results for the people and communities of Herefordshire.

Receive regular reports and updates from the Chairs of the Working Groups.

The Steering Group shall maintain an effective system of integrated governance, internal control and risk management, across the whole of its activities (both non-clinical and clinical), in support of the achievement of its aims and objectives.

In particular, the Steering Group will facilitate through its Working Groups the review of the adequacy of:

- All risks and controls related to the proposal to establish a Public Service Trust including any external opinion or other appropriate independent assurances, prior to formal recommendation for endorsement by the Primary Care Trust Board and Council.
- The underlying assurance processes that indicate the degree of the achievement of corporate objectives and the effectiveness of the management of principal risks.
- The policies for ensuring that there is compliance with relevant regulatory, legal and code of conduct requirements.

In carrying out this work the Steering Group will primarily utilise its existing resources and if necessary the work of Internal Audit, External Audit and other assurance functions, but will not be limited to these audit functions. It will also seek reports and assurances from directors and managers as appropriate, concentrating on the overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness. This will be evidenced through the Steering Group's use of an effective Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

Other Assurance Functions

The Steering Group shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the proposed organisation.

These will include, but will not be limited to, any reviews by the Department of Health Arms Length Bodies or Regulators / Inspectors (e.g. Audit Commission, Commission for Social Care Inspectorate, Adult Learning Inspectorate, Healthcare Commission, Ofsted, NHS Litigation Authority, etc.), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.).

In addition, the Steering Group will review the work of the Working Groups and others, whose work must provide relevant assurance to the Steering Groups regarding its own scope of work.

Management

The Steering Group shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control. They may also request specific reports from individual functions within the organisations (e.g. clinical governance, environmental health) as they may be appropriate to the overall arrangements.

Working Groups:

Subordinate Groups will include any ad hoc or working groups established to aid the delivery of the Steering Group. The Steering Group will approve the terms of reference for such groups.

The following Working Groups will be established:

- Human Resources and Change Management
- Clinical and Corporate Governance
- Communication, Consultation, Involvement and Clinical Engagement
- Customer and Patient Services
- Corporate Resources and Finance
- Planning, Commissioning and Performance Management

- Public Health and Health Improvement
- Environment Services

Date Established: 1 February 2007

Date Terms of Reference Originally Agreed: 1 February 2007

Date Terms of Reference Reviewed:

Date of Next Review September 2007

All Terms of Reference, Agenda, Papers, Minutes, Action Plans and Reports must be archived in accordance with current best practice.

All documents produced should include the appropriate reference in accordance with the Freedom of Information Act.

DRAFT

HEREFORDSHIRE COUNCIL SERVICES IN LEDBURY LINKING TO A LIBRARY BIG LOTTERY APPLICATION

PROGRAMME AREA RESPONSIBILITY: COMMUNITY SERVICES AND CORPORATE AND CUSTOMER SERVICES AND HUMAN RESOURCES

CABINET

8TH FEBRUARY, 2007

Wards Affected

Backbury
Frome
Hope End
Ledbury
Marcle Ridge

Purpose

To give an overview of schemes in Ledbury that will inform the way forward in developing new facilities in the town.

Key Decision

This is not a key decision.

Recommendations

- That: a) the schemes be noted;
- b) an outline application be submitted for Big Lottery Fund by March 2007 to support the library element of an integrated centre incorporating Info (customer services) and provision for young people; and
- c) as a starting point to preparing the bid a Consultation Partnership Board be established to oversee the project.

Reasons

There are a number of proposed projects for Ledbury which will enhance the facilities provision in the town. These cover:

- Enhancement of Info Shop at the Masters House
- New Children's Centre
- Developments of the Masters House with Ledbury and District Development Trust
- Relocation of the Tourist Information Centre
- Improve library provision to meet modern requirements of library service and meet DDA compliance

Further information on the subject of this report is available from
Natalia Silver, Head of Economic and Community Services (01432) 260732

These schemes are outlined below, and will contribute to the following outputs and outcomes for people:

- Percentage of Herefordshire residents who find it easy to access a library / cultural and recreation facilities (LAA)
- Percentage of 11-15 year olds participating in activities (LAA)
- Percentage of residents with access to communication facilities
- Percentage of adults who use culture and leisure facilities (LAA)
- Number of visits to libraries per 1000 population (BVPI)
- Satisfaction with libraries (BVPI)
- Quality of life aspects for community activity, activities for teenagers, cultural facilities and facilities for young children (LAA)
- Residents who are satisfied with their local community as a place to live (LAA and LPSA2)

Considerations

The Masters House

1. The Masters House currently houses the Info in Herefordshire service and some office provision on the first floor. In January 2007 some improvement work is to commence on the Info office which will include reconfiguring the front desk and the cash desk, improving Disability internet access, providing meetings rooms, a disabled toilet facility and general redecoration and is expected to be complete by early March 2007. A recent conservation report and work conducted by the Civic Society showed that the building is of historic importance to the town and the County as a whole, and has the potential for heritage, tourism and community use. With this in mind the local authority is entering a partnership with the Ledbury District Development Trust, who will be representing the Town Council, Civic Society and Tourism Association to investigate and present options for its future use. Work for "Audience Development Planning" funded by the Heritage lottery and a business plan produced by the Development Trust is due to be completed by August, 2007. After the Conservation Report was produced it was clear that the Masters House would be unsuitable as an alternative site for the library service because of planning and structural restraints within the building.
2. Linked to this is the original intention of moving the Tourist Information Centre into the Masters House in January 2007 as the lease for the current site is due to expire on 30th August, 2007 and would have presented a budget saving. Following a recommendation from Community Services Scrutiny Committee the appropriate Cabinet Members have agreed to defer that move until the outcome of the work with the Development Trust. There is still an option for the TIC to be a part of the Masters House development or relocating to an integrated service site.

Ledbury Children's Centre/Youth Centre

3. Funding for the Ledbury Children's Centre is in place and work is due to start in March 2007 with a building completion date of August 2007. The Centre will be on

the Ledbury Primary School site and the service will be aimed at parents and /carers of 0-5 year olds. This project is still subject to Central Government approval with a view to it being value for money. The proposed development on the current Youth Centre site would provide services for Young People age 11-24 so would compliment the Children's Centre provision.

Ledbury Library

4. The current library, which is not in Council ownership, restricts the nature of service the facility can offer in meeting a diverse range of interest and needs of local communities. In addition the current library is not compliant with the Disability Discrimination Act, consequently the full range of services is not available to all users and this could result in a possibility of a legal challenge under the DDA Act if this is not managed. Where improvements to libraries have taken place (including at Kington and Bromyard) there has been an increase in use, specifically with children and young people.
5. A new build on an alternative site would provide a facility which can offer a diversity of services including IT access, activity space specifically for children and increase shelf space to enable improved access to stock. It would also create a DDA compliant facility, and would incorporate INFO in Herefordshire as an integrated service for the customer and facility for young people.
6. The Big Lottery have invited bids for funding for libraries from its Community libraries fund, for which a new build for Ledbury Library would be a suitable candidate. This is a new fund for library services that has not been available before, but is unlikely to be repeated considering the demands of the 2012 Olympic Games on Lottery funds.
7. The closing date for Big Lottery applications is 30th March 2007. Successful bids will be notified in September 2007 and details of the plans must be forwarded within six months of that date. Prior to writing the bid, consultation with key local partners needs to take place and a Consultation Partnership Board formed, this can build on current relationships with the Ledbury community through the development of facilities in the town.
8. Points to consider regarding a Big Lottery bid are:
 - The basis of the Big Lottery bid will include provision of community space with a focus on arts, literature and poetry with specific work for teenagers.
 - The Corporate Customer Services Strategy states that "all front line services will be integrated ... to ensure a "one and done" approach to capturing information and requests."
 - Current plans incorporate youth provision which is a reduction in size on current provision, but recognises a change in approach to services with young people, including smaller break out rooms, social area, and café. There is also an option to include key worker accommodation.

- The cost of the proposed project will be approximately £2,625,000 funded by £2,000,000 bid for from the Big Lottery fund, £375,000 to be bid for from the Council's Capital Programme and approximately £200,00/£250,000 in value of land. The Big Lottery fund require a minimum of 25% match funding. This would cover IT requirements including a new self service books system for issue and return of books.
9. The net Prudential Borrowing required for the library project is £375,000 as detailed above. This requirement is included in the capital programme proposals report elsewhere on the agenda. It is expected that if the lottery bid is successful then the Prudential Borrowing element would be spent towards the end of 2007/08. The capital financing costs for this project would be a maximum of £5,000 for 2007/08 followed by £31,875 for 2008/09, which then reduces by £675 per year thereafter.
 10. It is proposed that a Consultation Partnership Board will include representatives of Ledbury Poetry Festival, John Masefield Society, John Masefield School, Ledbury Voluntary Action, Ledbury Town Council, Ledbury District Access Group, Ledbury Youth First and Ledbury Development Trust. Also, local members to be involved throughout the process.

Risk Management

There is a risk of a challenge under DDA legislation if the library is not compliant with the required standards.

Also, that expectation will be raised through this process within the local community, with the risk that the lottery application will not be successful due to national demand.

The costs included in the report are based on an estimated amount per square metre. At this stage this is the accepted practice for estimating a project's costs. However there is a risk that final tendered amounts will vary from the estimate. Any additional costs would fall on the council and need to be factored into a future capital programme.

The current library is situated in a leased building and as such does not give longer term security. The move to an alternative site will help address this risk.

Alternative Options

The alternative option is to maintain the status quo in all areas. This will save expenditure on capital schemes, but would not increase performance.

Consultees

Colin Birks, Property Services Managers
Lin Beddis, Corporate and Customer Services
Lea Abbotts, Children Services
Steve Cameron, Principal Financial Policy Manager

Appendices

None.

Background Papers

Stage 1 pro forma 2007/08 capital bid stage 1-Ledbury Library

ASSET MANAGEMENT PLAN : OVERVIEW ISSUES REPORT

PORTFOLIO RESPONSIBILITY: RESOURCES

CABINET

8TH FEBRUARY, 2007

Wards Affected

County-wide

Purpose

To endorse the Asset Management Plan 2006/07, approve revised Asset Management arrangements and to inform Cabinet of the key issues and actions relating to the implementation of the Council's Asset Management Plan 2006/07.

Key Decision

This is not a Key Decision

Recommendations

- THAT (a) the Asset Management Plan for 2006/07 be endorsed;**
- (b) the revised Asset Management arrangements outlined at Appendix 2 be approved in principle; and**
- (c) the key issues and actions identified be noted.**

Reasons

To comply with the requirement to obtain Cabinet endorsement of the Asset Management Plan.

Considerations

1. There is a continuing requirement to produce an annual Asset Management Plan (AMP) that sets out the Council's approach to managing its property assets.
2. There is no longer a requirement to submit the AMP to the Government Office of the West Midlands (GOWM) but there is an expectation that it will continue to represent a significant statement of the Council's intentions in respect of how it uses its resources and will, therefore, form a key part of the Use of Resources Assessments by the Audit Commission.
3. There is an expectation that the AMP will be reported annually to the Cabinet and endorsed as Council Policy.

Key Issues and Actions

4. Restructuring Asset Management and Property Services

The Council has recognised a need to manage its assets more strategically and has appointed an Interim Head of Asset Management & Property Services to manage the transition of the property service as part of the new Directorate of Resources.

The capacity of the service is currently limited and there is an urgent need to build in additional capacity and resilience. There is a need to reflect the competitive nature of the market for professional staff in recruiting and retaining staff.

Asset Management & Property Services will be reorganised to provide a Strategic Asset Management and Property Operations focus structured around five main areas of operation plus business support {As shown in Appendix 1}.

Actions:

- Detailed work on developing the team structures and implementation plan will commence and will include discussions on identifying staff to transfer from other Directorates and funding streams – target date for completion - end January 2007.
- A detailed financial appraisal of the impact of the proposals and the additional costs of implementing the proposed management structure will be undertaken and will identify possible sources of funding to deliver an affordable solution – target date – January 2007.
- Recruitment of the Head of Asset Management & Property Services will start in January 2007 – target for appointment - mid to end March 2007.
- The definition of the job role and evaluation of the new posts of Strategic Asset Manager and Property Operations Manager will be commenced and recruitment start – target for appointment - end March to mid April 2007.
- The definition of the job roles of the Group Leader posts and recruitment to new posts will commence following appointment of the Strategic Asset Manager and Property Operations Manager.

5. Review of the Corporate Asset Management arrangements

Work to review the suitability of current organisational arrangements for corporate asset management outlined in Appendix 3 of the Asset Management Plan will be undertaken.

The purpose of this review will be to streamline the reporting arrangements and secure greater senior officer involvement in owning the development of the asset management plan and capital strategy.

It is proposed that the principles shown in the outline diagram at Appendix 2 of this report be developed as the preferred model and that a Corporate Property Strategy Group {CPSG}, chaired by the Director of Resources, and reporting directly to the Corporate Management Board, take the place of the Capital Strategy Group {CSG}.

Actions:

- The revised management and reporting arrangements will be introduced by the end of March 2007.

6. **Strategic Fit Property Review**

There is a need to develop an improved understanding of the contribution of property assets to the Council's {and its partners'} plans by carrying out a 'Strategic Fit Property Review'.

The aim of the review will be to identify strategic issues and opportunities for the built estate, which support the Council's Corporate Strategy, Community Plan and Service Plans and inform business decisions in respect of its own {and partners} property assets.

The Review will comprise a 'high-level' exercise to establish the current position in respect of the Council's property interests and focus attention on properties identified as no longer meeting an identified service priority or requiring significant investment to make them fit for purpose.

It will include engagement with key stakeholders and partners to identify service issues and priorities and will identify the current and future need for property by the Council (and its external partners in so far as they affect the Council).

The outcome will be recommendations for a prioritised programme of more specific property reviews and site studies to work up the range of options available and develop outline business cases (OBC) and project plans for securing improvements in the performance of property.

Actions:

Work has commenced on a Strategic Fit Pilot project in Hereford City –

- Hereford City Pilot – complete by end February 2007 (to inform accommodation strategy)
- Market Towns – rolling programme March to June 2007

7. **Support to Corporate Projects**

A number of the Council's corporate projects are dependent upon property advice and support will be provided as follows:

Public Service Trust (PST). The development of the model for the PST will require detailed consideration of the respective partners' property assets and identification of the opportunities and constraints for improved partnership working and joint ownership.

Actions:

- The potential for new ways of working and the possibilities for disposing of assets to fund the property strategy of the PST will require detailed professional property input from an early stage.

Herefordshire Connects. The ability to translate the aspiration of transforming the way services are accessed by the public through the exploitation of developments in communications technology and local customer access points (Info shops etc.) requires property needs to be identified and integrated to ensure that future customer needs and property requirements are aligned.

Actions:

- Detailed professional property input will continue to be provided to the project.

New Ways of Working. The importance of matching future property needs to reflect changes in the way services are delivered in future has been recognised.

Actions:

- Property and facilities management expertise will be required in translating future service models into functional workspace environments incorporating a mix of solutions ranging from home-working; hot-desking and touch-down facilities to fully dedicated workstations.
- Provision of support areas comprising break-out areas; informal and formal meeting areas; cyber cafes; archiving and storage will also be included.

Accommodation Strategy. The reconsideration of the Council's Accommodation Strategy, following the decision by Scottish & Newcastle to postpone a decision on the sale or otherwise of their Plough Lane offices and additional land to the Council, will require significant property input.

Actions:

- The development of the strategy for accommodating the Council's 'back office' staff and those staff delivering services in the community will include examining single site, dual site and multi site options and will depend upon translating needs identified through the Herefordshire Connects and New Ways of Working projects.
- Translating the strategic requirement into an operational delivery plan will involve detailed site identification and evaluation and will include examining availability of sites close to Hereford City Centre (e.g. Edgar Street Grid) and also elsewhere within the city.

Edgar Street Grid Development. Representation of the Council's property interests as a partner in the Edgar Street Grid joint venture will require input at both strategic and operational levels.

Actions:

- A strategic objective for the provision of professional property support will be input to the development of the Master Plan to ensure the proposals recognise the Council's position as major land-owner and protect the duty to demonstrate best consideration, whilst using the well-being powers where appropriate.
- At an operational level, assistance will be needed to manage the acquisition of identified properties {where necessary by use of compulsory purchase powers} and to manage properties bought in until required for redevelopment.

Rotherwas Futures. The management of the Council's investment in the Rotherwas Industrial Estate and the continued realisation of the significant revenue and employment opportunities will remain a high priority.

Actions:

- The potential for additional investment in the area and the release of further employment land offered by the proposed Rotherwas Relief Road will be closely monitored and promoted.

8. **Maintenance Backlog needs and Building Condition**

The outstanding backlog maintenance of the Council will be systematically reduced through continued focus including:

Assessment of priority need. The amount of outstanding backlog maintenance needing to be addressed over the next five years has been assessed at £17.75 million. Of this £10,000 is categorised as Unavoidable (i.e work to prevent immediate closure of buildings) whilst £9,400,000 is categorised as Essential (i.e. work required within 2 years to avoid significant deterioration).

Action:

- A range of strategies to maintain the Council's buildings at an acceptable standard are in place and, where necessary, disposal is pursued as an alternative option to major repairs.

Disability Discrimination Act (DDA) adaptations. The number of buildings open to the public which fully comply with the requirements of the DDA (excluding schools) are 38 out of a total of 72. This represents 53% of the assets.

The investment needed to bring the rest of the estate up to the required standard is estimated at between £2million and £3million although a number of buildings could be disposed of as an alternative to carrying out the adaptations.

Action:

- As above a range of alternative strategies are in place to improve the proportion of Council buildings which comply with the requirements of the DDA.

Energy & waste reduction initiatives. The importance of carbon management in reducing the amount of energy consumed and wasteful emissions is a financial imperative as well as a corporate priority in respect of the Council's sustainability objectives.

Action:

- Carbon management initiatives and the use of external sources of grant funding will continue to be identified and the return on investment measured.

9. **Partnerships – Partnering Contracts: HJS and Owen Williams**

The Strategic partnerships that the Council has in place will be actively managed in respect of:

Contract monitoring and compliance - ensuring delivery of quality outcomes throughout the supply chain.

Leveraging the relationship - in respect of knowledge transfer and innovation and supporting development of supply chain partners.

Capacity building - providing confidence that peak demands can be met in a cost effective way that retains access to skills and expertise.

Action:

- Liaison with the Council's partners will continue to obtain the additional benefits that should result from close co-operation in the areas of innovation and knowledge transfer.

10. **Service Reviews**

Advice and support will be provided to service directorates in respect of service planning and fundamental service reviews e.g.

Schools Review;

Adult & Community Services property rationalisation;

Strategic Housing Needs & Affordable Housing.

Action:

- Liaison with service clients through regular workshops to understand service priorities and identify opportunities for improved asset management and rationalisation will take place.

11. **S106 Planning Obligations**

The need to contribute to work to identify the property requirements arising from the impact of new development proposals as part of the negotiating of S106 Planning Obligations will continue and participation in the major sites review group will be a continuing priority.

Action:

- The provision of property input and subsequent monitoring and application of funds received through S106 contributions will be managed as a function of the Strategic Asset Manager's role and through the revised asset management arrangements.

12. **County Farms Rationalisation Programme**

The programme to realise capital receipts from the disposal of farm buildings in accordance with the management plan for rationalising the agricultural estate will continue with an annual target of £1 million.

Action:

- The strategy of rationalising the Council's agricultural estate will continue and opportunities to reduce the size of the estate and realise capital receipts will be pursued.

13. **Development Projects**

Two major property development projects are programmed to start over the next twelve months as follows:

Relocation of Cattle Market.

Building Schools for the Future – Replacement for Minster College.

Action:

- Professional property project management of these schemes will be prioritised to ensure delivery on time and budget and to the quality specified.

14. **Disposals**

A number of disposals are programmed to take place over the next twelve months.

Action:

- The programme of disposals will be supported to deliver the required level of capital receipts to support the Council's priorities.

Appendices

Appendix 1 – Asset Management & Property Services Proposed Organisation

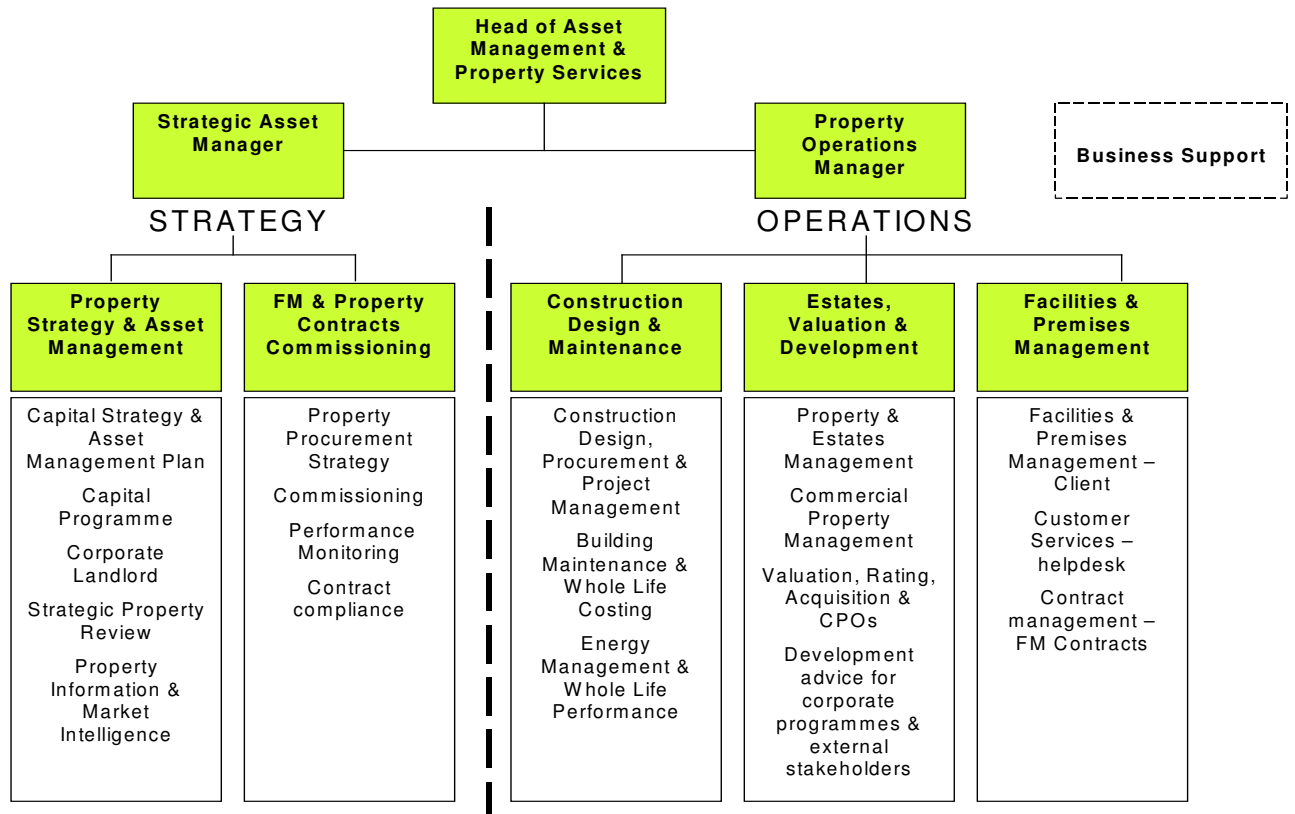
Appendix 2 – Organisational Arrangements for Corporate Asset Management

Background Papers:

Herefordshire Council Asset Management Plan July 2006

ASSET MANAGEMENT & PROPERTY SERVICES

PROPOSED ORGANISATION



ORGANISATIONAL ARRANGEMENTS FOR CORPORATE ASSET MANAGEMENT

